

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

BAY STATE GAS COMPANY

D.T.E. 05-27

**BAY STATE GAS COMPANY'S
FIRST SET OF DATA REQUESTS
PROPOUNDED ON
THE ATTORNEY GENERAL**

Pursuant to the procedural schedule established for this proceeding, Bay State Gas Company ("Bay State") hereby submits the following information requests relative to the Testimonies of David J. Effron ("Effron Testimony") and Timothy Newhard ("Newhard Testimony"), and separately, the filed position of the Office of the Attorney General, on behalf of Tom Reilly, Attorney General of the Commonwealth.

INSTRUCTIONS

The following instructions apply to this set of requests and all subsequent requests issued by Bay State during the proceeding.

1. Each request should be answered in writing on a separate, three-hole punched page with a recitation of the request, a reference to the request number, the docket number of the case and the name of the person responsible for the answer.
2. These requests shall be deemed continuing so as to require further supplemental responses if the Attorney General or any of its witnesses receives or generates additional information within the scope of these responses between the time of the original response and the close of the record in this proceeding.
3. The term "provide complete and detailed documentation" means:

Provide all data, assumptions and calculations relied upon. Provide the source of and basis for all data and assumptions employed. Include all studies, reports and planning documents from which data, estimates or assumptions were drawn and support for how the data or assumptions were used in developing the projections or estimates. Provide and explain all supporting work-papers.
4. The term "document" is used in its broadest sense and includes, without limitation, writings, drawings, graphs, charts, photographs, microfilm, microfiche, computer printouts, correspondence, handwritten notes, records or reports, bills, checks, articles from journals or other sources and other data compilations from which information can be obtained and all copies of such documents that bear notations or other markings that differentiate such copies from the original.

5. If any one of these requests is ambiguous, notify Bay State so that the request may be clarified prior to the preparation of a written response.

REQUESTS

- BSG-AG-1-1 Please provide a single schedule that identifies, as of the date of these information requests, each one of the Attorney General's proposed adjustments to Bay State's as-filed revenue requirement, and identify the witness who is supporting the proposed adjustment (if any). Please list every adjustment currently proposed.
- BSG-AG-1-2 With regard to the Attorney General's response to BSG-AG-1-1, if any adjustment is expected to be proposed and supported on brief but that is not supported by filed witness testimony, please identify that adjustment, provide a narrative description and provide the dollar amount of the adjustment the Attorney General intends, expects or anticipates that he will recommend. This is a continuing request that should be supplemented by the Attorney General as new information is developed or created until the close of briefs in this proceeding.
- BSG-AG-1-3 Please refer to the Effron Testimony at page 11, lines 1-2. Please state the numerical reduction to the Company's authorized return proposed by Mr. Effron to recognize the reduction in risk attributed to the PPM.
- BSG-AG-1-4 Please refer to the Effron Testimony at page 11, lines 1-2. Please provide empirical support, including all studies conducted by Mr. Effron or known to him (including workpapers and associated source documents) related to his proposed reduction to the Company's authorized return related to the PPM.
- BSG-AG-1-5 Please refer to the Effron Testimony at Sch. DJE-2. How does Mr. Effron reflect the non-recurring items shown on Sch. JAF-1-1, col. 3?
- BSG-AG-1-6 Please refer to the response to BSG-AG-1-5. If the non-recurring items shown on Sch. JAF-1-1, col. 3 are not reflected in Mr. Effron's analysis, why not? Please support this answer, providing documentation, workpapers and all other necessary justification.
- BSG-AG-1-7 Please refer to the Effron Testimony at pp. 14, lines 11-13 and p. 16, line 22. Please confirm that the \$7.5M referred to in those two places reflects the same revenue deficiency (or "discrepancy") calculated in two different ways and is not intended to be cumulative.
- BSG-AG-1-8 Please refer to the Effron Testimony at Sch. DJE-2. Is it correct that Mr. Effron (not the Attorney General) is recommending no further adjustments to the Company's operating expense request, aside from Metscan, deferred tax and PPM?

- BSG-AG-1-9 Please confirm that if the Department were to reject Bay State's request for the PPM, it would be appropriate to recover the test year amount of pension and PBOP expense, including a reasonable adjustment to reflect expected increases in the rate year, in the Company's revenue requirement.
- BSG-AG-1-10 Please state whether the Attorney General agrees with the following statement: the Department has permitted the undepreciated value of prudently incurred retired plant to be amortized over a reasonable period.
- BSG-AG-1-11 Does Mr. Effron believe there is a difference in the excess or deficient tax amortization methodologies of the "Average Rate Assumption Methodology (ARAM)" versus the "Reverse South Georgia Methodology?" If not, why not?
- BSG-AG-1-12 For Mr. Effron: Describe the Average Rate Assumption Methodology.
- BSG-AG-1-13 Is it correct that the ARAM amortization, as defined by Section 203(e) of the Tax Reform Act of 1986, varies annually depending on reversing timing differences. What impact does this have on the annual amortization?
- BSG-AG-1-14 For Mr. Effron: Describe the Reverse South Georgia Methodology.
- BSG-AG-1-15 Is a company permitted to switch between the ARAM and the Reverse South Georgia methodologies once one method of amortization (and not the other) has been approved by its state regulatory Commission? If so, provide all documentation in support thereof.
- BSG-AG-1-16 Please refer to the Newhard Testimony at page 1, lines 3-4. Please state whether Mr. Newhard accepts the Company's proposed capital structure ratios of 46.05% long-term debt and 53.95% common equity for the purpose of this case. If Mr. Newhard does not accept these ratios, please provide a statement of the capital structure ratios that he would accept, along with all supporting documentation, workpapers and source documents.
- BSG-AG-1-17 Please refer to the Newhard Testimony at page 1, lines 3-4. Please state whether Mr. Newhard accepts the Company's proposed cost of debt (i.e., 6.18% as adjusted to reflect the actual cost of the pro forma debt issues)

for the purpose of this case. If Mr. Newhard does not accept this cost rate, please provide a statement of the cost of debt that he would accept, along with all supporting documentation, workpapers and source documents.

- BSG-AG-1-18 Please refer to the Newhard Testimony at page 2, lines 9-11. Please provide a list of all cases (jurisdiction, docket no., company, year) in which Mr. Newhard has presented testimony before the Department. For those cases where the subject matter of the testimony involved the cost of equity, please provide a full and complete copy of that testimony appended as an Attachment to this response.
- BSG-AG-1-19 Please refer to the Newhard Testimony at page 2, line 9-11. Please indicate whether Mr. Newhard has ever presented testimony before a regulatory agency or governmental body other than the Department or its predecessor. If so, please provide a full and complete copy of that testimony appended as an Attachment to this response.
- BSG-AG-1-20 Please refer to the Newhard Testimony at page 4, lines 15-16. Please provide a citation to each Department Order that finds that a parent company's cost of equity is an acceptable measure of a subsidiary utility's rate of return.
- BSG-AG-1-21 Please refer to the Newhard Testimony at page 4, lines 19-25. Please provide a historical breakdown of the business segments of NiSource covering the years 2000 - 2004 showing, (i) the dollar amount and (ii) percent to total of (iii) revenues, (iv) operating income, and (v) identifiable assets for its (vi) gas distribution business, (vii) its gas transmission and storage business, (viii) its electric business, (ix) its unregulated businesses, and (x) its other businesses. Please provide associated workpapers in electronic form with all protection, if any, removed from the spreadsheet and all formulas intact, and source documents.
- BSG-AG-1-22 Please refer to the Newhard Testimony at page 4, lines 19-25. Please provide an analysis showing any revenues derived from (i) the gas distribution business, (ii) the gas transmission and storage business, and (iii) the electric business that are derived by NiSource from non-regulated sources.

- BSG-AG-1-23 Please refer to the Newhard Testimony at page 8, lines 2-3. Please provide any studies performed by Mr. Newhard, or are known to him, that establishes "The twelve-month average incorporates a historical period that investors commonly use to evaluate stocks." Please provide the workpapers and source documents for Mr. Newhard's studies and a copy of any studies prepared by others.
- BSG-AG-1-24 Please refer to the Newhard Testimony at page 8, lines 18-19. Please provide all studies prepared by Mr. Newhard, or known to him, that establishes the practice of averaging overlapping periods consisting of six-month and twelve-month average dividend yields. Please provide the workpapers and supporting source documents for these studies.
- BSG-AG-1-25 Please refer to the Newhard Testimony at page 15, lines 3-4. Please provide the electronic spreadsheet in Microsoft Excel of the iterative model used to solve the two-step DCF. Please remove all protection, if any, from the spreadsheet and leave all formulas intact.
- BSG-AG-1-26 Please refer to the Newhard Testimony at page 15, line 21. Please specify the date of the issue of Blue Chip Financial Forecast and provide a complete copy of that publication.
- BSG-AG-1-27 Please refer to the Newhard Testimony at page 16, lines 3-4. Please specify time periods associated with the inflation rate and real growth rate in the GDP. Please provide a copy of the source documents that were utilized for these figures.
- BSG-AG-1-28 Please refer to the Newhard Testimony at page 16, lines 9-10. Please provide an electronic copy of the workpapers used to compute the 9.21 percent return. Please remove all protection, if any, from the spreadsheet and leave all formulas intact.
- BSG-AG-1-29 Please refer to the Newhard Testimony at page 16, line 21 through page 17 line 1. Please identify for each company in Mr. Newhard's Comparison Group the (i) dollar amount and (ii) percentage of (iii) revenues, (iv) operating income, and (v) identifiable assets committed to (vi) unregulated natural gas marketing and sales service and (vii) power generation. Please provide all workpapers and source documents.

- BSG-AG-1-30 Please refer to the Newhard Testimony at page 17, lines 1-3. Please provide any studies performed by Mr. Newhard , or known to him, that establishes the non-utility businesses of the Comparison Group have greater business risk. Please provide all workpapers and source documents for these studies.
- BSG-AG-1-31 Please refer to the Newhard Testimony at page 17, lines 1-3. Please (i) define and (ii) describe the market structure for the non-utility businesses for each company in Mr. Newhard's Comparison Group.
- BSG-AG-1-32 Please refer to the Newhard Testimony at page 17 lines 1-3. Please identify the identity of the competitors, and all factors that would cause changes in market structures for the non-utility business for each company in Mr. Newhard's Comparison Group.
- BSG-AG-1-33 Please refer to the Newhard Testimony at page 17, lines 7-8. For each of the base rate adjustments in the Company's standard fixed base rate revenues: (i) describe the adjustment, (ii) quantify the amount of revenues derived by the Company over each of the past five years for that adjustment, (iii) quantify the net income impact for each of the past five years if the adjustment did not exist, and (iv) quantify the change in the variability of net income over the past five years with and without the adjustments.
- BSG-AG-1-34 Please refer to the Newhard Testimony at page 17, line 21. Please provide the workpapers showing the development of the "85 percent" figure.
- BSG-AG-1-35 Please refer to the Newhard Testimony at Page 18, line 2. Please quantify in numerical terms the impact on the cost of equity for the dramatic reduction in investment risk. In doing so, assign a numerical value to each adjustment clause in effect or proposed by the Company. Please provide all workpapers and source documents.
- BSG-AG-1-36 Please refer to the Newhard Testimony at page 18, lines 12-13. Please provide the workpapers in electronic form for the "7.77 percent" and "9.49 percent" figures. Please remove all protection, if any, from the spreadsheets and leave all formulas intact. Also please provide copies of all source documents.

- BSG-AG-1-37 Please refer to the Newhard Testimony at Mr. Newhard's Schedule 1. Please provide a copy of the source documents for this schedule.
- BSG-AG-1-38 Please refer to the Newhard Testimony at Mr. Newhard's Schedule 1. Please provide an electronic copy of this schedule. Please remove all protection, if any, from the spreadsheets and leave all formulas intact.
- BSG-AG-1-39 Please refer to the Newhard Testimony at Mr. Newhard's Schedule 2. Please provide a copy of the source documents for this schedule.
- BSG-AG-1-40 Please refer to the Newhard Testimony at Mr. Newhard's Schedule 2. Please provide an electronic copy of this schedule. Please remove all protection, if any, from the spreadsheets and leave all formulas intact.
- BSG-AG-1-41 Please refer to the Newhard Testimony at Mr. Newhard's Schedule 2. Please provide a copy of the source documents for the dividends shown monthly.
- BSG-AG-1-42 Please refer to the Newhard Testimony at Mr. Newhard's Schedule 3. Please provide a copy of the source documents for this schedule.
- BSG-AG-1-43 Please refer to the Newhard Testimony at Mr. Newhard's Schedule 3. Please provide an electronic copy of this schedule. Please remove all protection, if any, from the spreadsheets and leave all formulas intact.
- BSG-AG-1-44 Please refer to the Newhard Testimony at Mr. Newhard's Schedule 4. Please provide a copy of the source documents for this schedule.
- BSG-AG-1-45 Please refer to the Newhard Testimony at Mr. Newhard's Schedule 4. Please provide an electronic copy of this schedule. Please remove all protection, if any, from the spreadsheets and leave all formulas intact.
- BSG-AG-1-46 Please refer to the Newhard Testimony at Mr. Newhard's Schedule 5. Please provide a copy of the source documents for this schedule.
- BSG-AG-1-47 Please refer to the Newhard Testimony at Mr. Newhard's Schedule 5. Please provide an electronic copy of this schedule. Please remove all protection, if any, from the spreadsheets and leave all formulas intact.